



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
LANSING

MICHAEL R. DEVOS  
EXECUTIVE DIRECTOR

---

## MEMORANDUM

---

**TO:** OCD GRANTEES  
**FROM:** STEPHEN LATHOM, HOMEBUYER DEVELOPMENT SPECIALIST  
**SUBJECT:** *FINAL POLICY ANNOUNCEMENT—ENERGY EFFICIENCY*  
**DATE:** OCTOBER 17, 2005

**Background:** In a memo dated May 9, 2002, MSHDA's Office of Community Development (OCD) notified grantees of proposed policy changes that would apply certain energy efficiency standards to all new construction units assisted with OCD grant funds. The memo further noted that many OCD grantees have received technical assistance, training, and financial support through the Michigan Build Program operating by the Community Economic Development Association of Michigan (CEDAM). In fact, OCD's proposal essentially would apply the Michigan Build standard to all OCD-assisted new construction—including rental and for-sale units. A copy of the May 9<sup>th</sup> memo is attached for easy reference.

**Grantee Comments:** Many were received about this issue. All comments received were positive and supported the proposed standards. Several grantees indicated that they had already adopted this standard for all new construction activity. One comment did note the need for ongoing technical assistance in this matter, especially for grantees who had not previously participated in the Michigan Build program. Finally, some comments suggested OCD consider imposing additional standards related to even higher energy efficiency ratings and/or "green building" techniques.

**OCD Response and Updated Proposal:** Based on the comments received, OCD will move forward with the proposed policy on the timetable originally proposed. Over the next several months, OCD will sponsor training on these new standards, publish specific requirements pertaining to how grantees should document compliance with these standards, and provide technical assistance as needed from grantees who need additional assistance to comply with the new energy efficiency standards. OCD expects to be flexible while implementing this rule if individual grantees present compelling circumstances that prevent compliance with the new policy.

Finally, attached to this memo is a new publication that will become Attachment D to Policy Bulletin #10. This policy outlines the specific requirements projects must meet. Grantees should be aware that as OCD continues to implement this policy and collects additional feedback from grantees, Attachment D to Policy Bulletin #10 may be updated and revised as needed.

**For more information:** Grantees with additional questions should contact their Community Development Specialist.



**MSHDA OFFICE OF COMMUNITY DEVELOPMENT  
ENERGY EFFICIENCY STANDARDS FOR OCD FUNDED PROJECTS  
OCTOBER 17, 2005 (EFFECTIVE JANUARY 1, 2006)**

MSHDA's Office of Community Development (OCD) provides funding to assist in the new construction of both for-sale and rental housing developed by nonprofit and local government grantees. OCD places various site and design requirements on these projects to maximize their positive impact on the community (a general standard to meet or exceed the quality and design of neighboring houses, walkable connections to community services, service to the site by existing public infrastructure, etc.).

Over the past few years, increasing attention has been paid to improving the energy efficiency of affordable housing. OCD has been supportive of local efforts to build more energy efficient housing, believing that such efforts not only make housing more affordable for low and moderate-income households to own and maintain but also have positive environmental impacts. Additionally, because of the leadership of the Community Economic Development Association of Michigan's (CEDAM) Michigan Build program, many OCD grantees have been given the technical resources, opportunity, and financial incentive to build highly energy efficient housing.

**Energy Efficiency Requirements for Projects Involving New Construction:** As a result, beginning with grants effective on or after January 1, 2006, OCD grantees will be required to ensure that all new construction units developed with MSHDA assistance meet the following Energy Efficiency Standards:

- a. Homes must be built to at least the 5-Star Home Energy Ratings System (HERS) standard;
- b. At least 75% of light fixtures must be Energy Star rated or be equipped with compact fluorescent bulbs;
- c. Toilets must be 1.6 gallons per flush or less;
- d. All showerheads must be 2.5 gallons per minute or less; and
- e. All homes must have a system/means of controlled ventilation.

**Documentation Requirements:** Grantees will be expected to have their building plans reviewed and rated by a certified HERS rater. File documentation must be present indicating that the final plans and specifications achieve a score of at least 86 points on the HERS scale. Additionally, the final plans and specifications must clearly require the compliance with the additional standards outlined above.

Upon completion of construction, MSHDA expects grantees to have new homes tested by a HERS certified tester for confirmation that units were built to the standards outlined in the plans and specifications and that achieves necessary standards related to air infiltration (i.e. it passes the blower door test).

**Soft Costs:** The costs, if any, associated with having building plans and specifications reviewed and certified as well as any costs for final testing of the finished unit are soft costs. As such, these costs should be paid from the proceeds of the developer fee.

**Michigan Build Program:** Effective January 1, 2006, any funds awarded to a project from CEDAM's Michigan Build Program must be disclosed and included as Non-Federal Grant Funds on Line C-12 of the Acquisition-Development-Resale Proforma. Previously, under an agreement with CEDAM, OCD had allowed grantees to elect to retain Michigan Build funds awarded for OCD assisted projects outside of the proforma and in excess of the developer fee. That agreement specifically indicated that Michigan Build Funds would be required to be included in the proforma once Energy Efficiency Standards were applied to OCD-assisted projects.

OCD continues to encourage grantees to access any available Michigan Build funding. As with other sources of leveraged funding, grantees that consistently access additional sources of subsidy receive additional consideration during MSHDA's review of competitive applications under the Housing Resource Fund.

**Resources:** OCD is working to schedule training on these new requirements. In addition to training sponsored by MSHDA, grantees are encouraged to learn more from the resources listed below.

- One of the most comprehensive resources for both information and links to technical information is the federal government's Energy Star website at: <http://www.energystar.gov/>

Among others things, this website provides a search engine identifying qualified HERS raters by state (search for New Homes Partner Locator) and presentations that grantees might use to educate appraisers about the added value from Energy Star construction and to market the benefits of such homes to potential buyers.

- HUD's website contains additional information on it's Energy Action plan and other related initiatives: <http://www.hud.gov/offices/cpd/energyenviron/>
- Partnerships for Home Energy Efficiency is a joint effort of the U.S. Department of Energy, the U.S. Environmental Protection Agency, and the U.S. Department of Housing and Urban Development. The website is at: <http://www.energysavers.gov/>
- In April 1995, the National Association of State Energy Officials and Energy Rated Homes of America founded the Residential Energy Services Network (RESNET) to develop a national market for home energy rating systems and energy efficient mortgages. RESNET's website provides a variety of information on, among other issues, energy efficient building techniques, becoming certified as an energy rater, and understanding energy efficient mortgage products. The website is: <http://natresnet.org/>
- Local sources of information include both CEDAM's Michigan Build page ([http://www.cedam.info/MI\\_Build.htm](http://www.cedam.info/MI_Build.htm)) and the WARM Training Center in Detroit, CEDAM's partner in the Michigan Build program (<http://www.warmtraining.org/>).
- Finally, the State of Michigan's Energy Office provides additional information and expertise. That website is: <http://www.michigan.gov/cis/0,1607,7-154-25676---,00.html>



STATE OF MICHIGAN

JENNIFER M. GRANHOLM  
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY  
LANSING

MICHAEL R. DEVOS  
EXECUTIVE DIRECTOR

---

## MEMORANDUM

---

**TO:** OCD GRANTEES  
**FROM:** STEPHEN LATHOM, HOMEBUYER DEVELOPMENT SPECIALIST  
**SUBJECT:** *ENERGY EFFICIENCY*: PROPOSED POLICY CHANGES—DESIGN STANDARDS  
**DATE:** MAY 9, 2005

**Proposal:** Beginning with new grants funded after January 1, 2006, the Office of Community Development (OCD) proposes to require that newly constructed residential structures funded by OCD meet certain energy efficiency standards, as outlined below.

**Background:** OCD provides funding to subsidize the development of new homes for sale to low and moderate income households primarily through the Housing Resource Fund. In this program, OCD places various site and design requirements on these projects to maximize their positive impact on the community (a general standard to meet or exceed the quality and design of neighboring houses, walkable connections to community services, service to the site by existing public infrastructure, etc.).

Much attention has been paid to energy efficiency in affordable housing. HUD has reported that “approximately 19.5 percent of a low-income families' annual income is being spent on home energy costs.” For the past few years, the Community Economic Development Association of Michigan (CEDAM) has sponsored the Michigan Build program providing technical assistance and incentive funding to eligible non-profit organizations to assist in the development of new homes that meet the 5-Star standard under the Home Energy Rating Systems (HERS) standards, and many OCD grantees have taken advantage of this funding.

OCD has been supportive of local efforts to build more energy efficient housing. We believe that such efforts not only make housing more affordable for low and moderate income households to own and maintain but have positive environmental impacts as well.

Last year, the Bureau of Construction Codes and Fire Safety proposed revisions to the Michigan Uniform Energy Code. The revisions to the energy code have been challenged in court, and litigation is still pending. Neither MSHDA nor the Office of Community Development have a position on the proposed changes, and all funded construction will continue to meet the requirements of all applicable building codes. However, we raise the issue only to point out that under the proposed revisions, any new home that was certified to the 5-Star standard would have automatically met the requirements of the code. In the event the proposed revisions are upheld, we do not anticipate any resulting “new” code requirements that exceed the standards we proposed below.



While the final technical standards have not yet been determined, the Office of Community Development intends to require that all new construction projects funded with OCD grant funds meet the following requirements (taken from CEDAM's Michigan Build Program):

- a. Homes must be built to at least the 5-Star HERS standard;
- b. At least 75% of light fixtures must be Energy Star rated or be equipped with compact fluorescent bulbs;
- c. Toilets must be 1.6 gallons per flush or less;
- d. All showerheads must be 2.5 gallons per minute or less; and
- e. All homes must have a system/means of controlled ventilation.

**Implementation Plan:** Whether or not the proposed energy code changes take place, OCD proposes to implement standards similar to those outlined above for all new construction grants issued on or after January 1, 2006 (note, unlike the “visitability” requirements outlined in another memo, these requirements would apply to all newly constructed residential structure funded by OCD regardless of the number of units per structure or the tenure type).

Prior to implementation, the Office of Community Development will conduct additional research on the issue of energy efficiency and develop more specific technical standards as needed. To develop these standards, OCD will consult with appropriate experts as necessary to issue draft guidelines by September 1, 2005. If grantees have problems which are unique to the specific sites and/or housing types in their neighborhoods, OCD will make technical assistance available to develop design solutions.

**Comment Period:** This proposed policy change is being published in an effort to both provide advance notice of pending requirements to grantees and to seek feedback on the proposed policy. We believe that feedback from grantees will be helpful in identifying barriers to implementation, producing workable and effective technical standards, and evaluating the need for technical assistance.

Grantees wishing to comment on the proposed requirements, can do so in writing by **June 17, 2005** to:

Stephen Lathom  
Homebuyer Development Specialist  
Office of Community Development  
735 E. Michigan Ave., PO Box 30044  
Lansing, MI 48909  
[lathoms@michigan.gov](mailto:lathoms@michigan.gov)

Comments will be compiled, summarized, and provided to all grantees in future correspondence along with written responses by OCD.